

## Message Text

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43

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 XMB-02 EB-07 COME-00 TRSE-00

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 3018

INFO AMEMBASSY NAIROBI

AMEMBASSY LONDON

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ECON ET

SUBJ: EPMG BACKS DOWN ON PRICE CONTROL MEASURES

REF: A) ADDIS 815; B) ADDIS 745

1. ON FEBRUARY 5 THE PMAC ANNOUNCED A REVISED PRICE LIST FOR GRAIN, MEAT, POULTRY AND EGGS. THIS LIST SPECIFIES THE FARMGATE AS WELL AS THE RETAIL PRICE AND WAS COMPILED BY A PMAC TEAM ESTABLISHED "FOLLOWING CONFUSION AND UNCERTAINTIES IN RECENT DAYS RESULTING FROM THE PRICE CONTROL MEASURES ANNOUNCED BY THE MINISTRY OF COMMERCE INDUSTRY AND TOURISM". A PMAC STATEMENT INDICATED THAT THE REVISED LIST WOULD REMAIN IN EFFECT UNTIL "THE MARKET IS STABILIZED AND A MORE EQUITABLE PRICE CONTROL MEASURE FOR ESSENTIAL FOODSTUFF(S) IS WORKED OUT".

2. THE STATEMENT ANNOUNCED THE DETENTION OF FIVE OFFICIALS FEBRUARY 4 ON CHARGES OF ECONOMIC SABOTAGE IN CONNECTION WITH THE NOW DISCARDED PRICE CONTROL MEASURES. THE OFFICIALS ARE: TADESSE MOGESSE, MINISTER OF STATE, MINISTRY OF COMMERCE,  
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INDUSTRY AND TOURISM; WUDINEH TADESSE, GENERAL MANAGER,

ETHIOPIAN GRAIN CORPORATION (EGC); ASFAW WOLDE-GHIORGIS, GENERAL MANAGER, LIVESTOCK AND MEAT BOARD (LMB); GETACHEW HAILE SELASSIE, ACTING MANAGER, ETHIOPIAN GRAIN BOARD (EGB); AND DEBEBE AGONAFER, CHAIRMAN, PRICE CONTROL STUDY COMMITTEE. THESE OFFICIALS ARE ACCUSED OF FAILING TO CARRY OUT A COMPREHENSIVE STUDY OF THE FOOD MARKET ORDERED BY THE COUNCIL OF MINISTERS "THUS INTENTIONALLY COMMITTING ECONOMIC SABOTAGE AGAINST THE COUNTRY'S POPULAR MOVEMENT". THE PMAC NOTED THAT IT HAD ORDERED THESE OFFICIALS TO REVISE THE PRICE LIST ON THREE OCCASIONS BUT THEY FAILED TO DO SO WHICH CONSTITUTED CLEAR EVIDENCE OF SABOTAGE.

3. ACCORDING TO THE STATEMENT, THE GOVERNMENT IS RESPONSIBLE FOR CONTROLLING PRICES TO PREVENT EXPLOITATION OF THE MASSES BY PROFITEERS. ONE OF THE BASIC AIMS OF THE REVOLUTION IS TO HELP BOTH FARMERS AND WORKERS THROUGH A CAREFULLY PLANNED PRICE CONTROL SYSTEM BUT "MANY DETAILS" MUST BE WORKED OUT BEFORE PRICES OF ESSENTIAL COMMODITIES ARE ESTABLISHED. CUTTING PRICES OF COMMODITIES NOT AVAILABLE IN THE MARKET CAN ONLY CREATE CONFLICTS AMONG FARMERS, MERCHANTS AND CONSUMERS AND UNDERMINE PUBLIC CONFIDENCE IN THE GOVERNMENT. THUS ANY PRICE CONTROL SYSTEM MUST PROVIDE INCENTIVES TO THE FARMERS TO PRODUCE MORE AS WELL AS ENABLE CONSUMERS TO BUY ESSENTIAL COMMODITIES AT REASONABLE PRICES.

4. COMMENT: IT APPEARS THAT CONSUMER, FARMER AND MERCHANT PRESSURE AND MINISTRY OF AGRICULTURE (MOA) ARGUMENTS HAVE FORCED THE EPMG TO BACK DOWN. MOA VICE MINISTER SOLOMON BAKURE LAST MONTH ATTACKED THE MEASURES AS DISCOURAGING PRODUCTION OF THE CONTROLLED COMMODITIES THUS FOLLOWING A "DELIBERATE" POLICY OF REDUCING THE INCOME OF RURAL ETHIOPIANS (85 PERCENT OF THE POPULATION) IN FAVOR OF THE URBAN FEW. MOA REPORTEDLY HAS TAKEN THE POSITION THERE CAN BE NO EFFECTIVE PRICE CONTROLS UNTIL A COMPETENT GOVERNMENT GRAIN MARKETING ORGANIZATION IS IN PLACE (I.E., THE EGC IS REORGANIZED), AND THE PROJECTED GRAIN MARKETING AND STORAGE PROJECT IS IN OPERATION.

5. IN ADDITION, THE DAMAGE TO MORALE WITHIN THE EGC, THE LMB AND THE EGB RESULTING FROM THE PMAC FLIP-FLOP AND THE DETENTION OF THE FIVE OFFICIALS COULD BE SERIOUS. AT A TIME WHEN INCREASING AMOUNTS OF SKILL AND INITIATIVE ARE REQUIRED FROM LIMITED OFFICIAL USE

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THESE ORGANIZATIONS TO UNDERTAKE ADDITIONAL RESPONSIBILITIES IN THE PRICE CONTROL AND NATIONALIZED INDUSTRIES AREAS, THE SANCTIONS IMPOSED ON THE FIVE OFFICIALS FOR MAKING A "MISTAKE" IS NOT LIKELY TO INCREASE THE EFFICIENCY OF THESE INSTITUTIONS. WYMAN

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